GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:3796
ANSWERED ON:08.08.2002
RESTRUCTURE OF SEBS
A.P. JITHENDER REDDY

Will the Minister of POWER be pleased to state:

(a) whether the Government have decided to restructure the State Electricity Boards all over the country;

(b) if so, the details thereof;

(c) whether the Government intend to invite foreign collaboration for this project;

(d) if so, the details thereof; and

(e) if not, the manner in which the Government propose to fund the project of restructuring of SEBs?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (e) : State Electricity Boards (SEBs) are under the administrative control of the State Governments. The decision to restructure the SEBs, therefore, rests with the State Governments. The Government of India has however been encouraging States to undertake reforms so as to improve the health of the power sector. A conference of Chief Ministers/Power Ministers was organized in March 2001 wherein it was resolved to depoliticise power sector reforms and speed up their implementation. It was also recognized that the real challenge of reforms lies in distribution sector and that commercial viability has to be achieved in distribution through any or all of the following:

- Creating Profit Centres with full accountability
- Handing over of local distribution to Panchayats/Local Bodies/Franchisees/Users Associations, wherever necessary
- Privatisation of distribution
- Or any other means.

Several States (Orissa, Haryana, Andhra Pradesh, Karnataka, Uttar Pradesh, Rajasthan, Madhya Pradesh and Delhi) have passed their own Reform Laws and unbundled their SEBs.

The Electricity Bill, 2001 which is presently under consideration of the Standing Committee on Energy also gives flexibility to States regarding reforms.

The Government of India has been signing Memoranda of Understanding (MoU) with States reflecting the joint commitment of the Centre and the States to undertake reforms in a time bound manner. These require the States to set up SERCs, undertake energy audit through full metering, reduce transmission and distribution losses and attain commercial viability. In reciprocation to the efforts of the States to achieve agreed milestones, the Central Government has committed assistance including allocation of additional power from unallocated share from Central Generating Stations, funds under specific programmes/schemes etc. The MoUs are now being fleshed out into MoAs with clearer and more specific milestones as the reform programme in the State is acquiring concrete shape. 22 States have been covered by this exercise till now.

The Accelerated Power Development and Reform Programme (APDRP) is designed to finance specific projects in identified distribution circles for a quick turn around and creation of centres of excellence. Initially, 63 circles have been taken up for development as centres of excellence on the basis of well designed Detailed Project Reports (DPRs). The programme is being extended to cover concentrated loads and towns with population of over 1 lakh where work on preparing DPRs has been initiated. The base line data of DPRs is crucial for evaluating the results of the programme which is aimed at improving quality of supply as well as controlling theft and improving the financial health of the sector. This programme also includes an incentive scheme aiming at actual cash loss reduction by SEBs/Utilities. Under this scheme, there is provision for grants by the Ministry of Power to SEBs/Utilities for actual loss reduction. A provision of Rs.3500 crores has been made for the year 2002-2003 under this programme. For the purpose of funding the States have been categorised as Special and Non Special categories. For special categories State 90% grant and 10% loan has been envisaged whereas for non-special category 25% grant and 25% of loan has been envisaged under this

programme and the remaining 50% will be provided by the financial institutions like PFC, REC.

Government of India has recently approved a scheme for securitisation ofdues owed by the State Electricity Board to CPSUs. The scheme provides that 60% of the interest/surcharge on the delayed payments as on 30.9.2001 would be waived off and the rest of the dues would be securitised through tax-free bonds issued by the respective State Governments. There would also be incentives to the States for timely payment of current dues. Default in making current payments shall attract, inter alia suspension of funds under APDRP.With the Securitisation of past dues by the State Government and thecreation of the discipline of full payment for current supplies, the raising of the requisite resources from the market for the ambitious capacity addition programme of the CPSUswould become feasible. The State Governments can also use this to give their powerutilities clean balance sheets to enable them to fully access markets for funds to finance their investment programmes.

Besides, the World Bank, Asian Development Bank and other multilateral donoragencies and Power Finance Corporation (PFC) have been providing financial assistance to some of the States to undertake power sector reforms.